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UNCLAS PORT AU PRINCE 002728

SIPDIS

STATE FOR WHA/CAR  
EB/IFD/ODF  
EB/IFD/OMA  
WHA/EPSC  
INR/IAA/MAC  
S/CRS  
TREASURY FOR MAUREEN WAFER  
STATE PASS AID FOR LAC/CAR  
USDOC FOR 4322/ITA/MAN/WH/OLAC (SMITH, S.)

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [HA](#)

SUBJECT: Haiti: 14.8 Percent Inflation for the Fiscal Year

[1](#)1. SUMMARY: Inflation for September 2005 was 1.38 percent (a yearly rate of 17.9 percent). Inflation for the past 12 months, coinciding with the Haitian fiscal year and the country's IMF program was 14.8 percent, which exceeded the IMF and IGOH target of 12.0 percent. Failure to meet the inflation target was due largely to the global increase of oil prices, political violence in the capital and the lingering effects of Tropical Storm Jean. END SUMMARY.

Inflation Remains a Problem in September  
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[1](#)2. According to just-released figures from the Haitian Statistical Institute, overall inflation for September 2005 was 1.38 percent (a yearly rate of 17.9 percent). Inflation for the past 12 months was 14.8 percent.

[1](#)3. Much of September's rise was due to increases in rent and utilities (3.5 percent for the month), transportation (3.4 percent) and health care costs (3.4 percent). Petroleum prices, part of the transportation index, were up 11.2 percent. The politically sensitive price of food rose a modest 0.3 percent for the month.

Failure to Meet the Inflation Target  
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[1](#)4. The 14.8 percent inflation rate for the 12 months ending September 2005 means that Haiti failed to achieve one of the main goals set out for it in the IMF's Emergency Post Conflict Assistance (EPCA) program, which ended on September 30. The inflation target was 12.0 percent and for much of the year both the Interim Government of Haiti (IGOH) and the IMF were confident that the country would meet the target.

[1](#)5. Failure, however, was due to several exogenous shocks, including principally the sharp increase in the global price of oil. Haiti is dependent on foreign oil and price increases negatively impact transportation and food prices, two of the larger components of the index. Also exacerbating inflation was the political violence in Port-au-Prince during FY 04/05 that made it difficult for many goods to reach markets, and the lingering effects of Tropical Storm Jeanne that struck Haiti in September 2004.

[1](#)6. The inflation target in for Haiti's new IMF program, EPCA II, which began on October 1, is 10.0 percent.